

## New *Fast Facts* Car Buyer's Bill of Rights

### New Fast Facts

This memo introduces the new Fast Facts, “Car Buyer’s Bill of Rights” (attached).

### Background

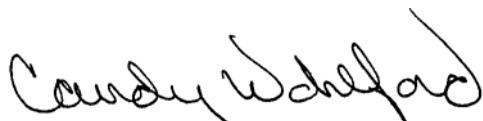
Legislation effective July 1, 2006, the “Car Buyer’s Bill of Rights,” substantially impacts the sale of new and used vehicles. The new *Fast Facts*, “Car Buyer’s Bill of Rights,” (FFVR 35 New 5/2006), contains important facts about this new law.

### Distribution

Notification that this memo is available online at [www.dmv.ca.gov](http://www.dmv.ca.gov) under Publications was made via e-mail alert in June 2006.

### Contact

Call the DMV Customer Communications Section at (916) 657-6560 for further clarification of this memo. Upon request, this document can be produced in Braille or large print.



CANDY WOHLFORD, Deputy Director  
Communication Programs Division

Attachment

## **Car Buyer's Bill of Rights**

A new law establishing the Car Buyer's Bill of Rights substantially impacts the sale of new and used vehicles. The law, which takes effect July 1, 2006, affects retail vehicle sales handled by licensed car dealers in California. This law does not apply to motorcycles and off-highway motor vehicles or to transactions between private parties. Major changes to prior laws include:

### **For new and used car buyers**

- Dealers must provide an itemized price list. Prices for items, such as warranties, insurance, car alarms, tinting, Department of Motor Vehicles Business Partner Automation fees, etc., must be broken down in detail if the items are being financed.
- The finance fee markup amount is limited to 2 percent for a 60-month loan term and 2.5 percent for anything under a 60-month loan term.
- Dealers must provide buyers with their credit score and an explanation of how it is used.

### **For used car buyers only**

- A used car buyer may obtain a two-day sales contract cancellation option.
- Used cars labeled as "certified" must meet specific requirements.

### **Contract cancellation option**

Prior law did not provide for a "cooling off" or other cancellation period on vehicles purchased from a used car dealer. Buyers, therefore, could not later cancel their contract simply because they changed their mind, decided the vehicle cost too much, or wanted to acquire another vehicle. They could only cancel their contract with the agreement of the seller or for legal cause, such as fraud. The new law changes this with the following provision:

**There is no "cooling off" period unless you obtain a contract cancellation option.**

### **Cancellation option specifics**

- The contract cancellation option is available only to buyers purchasing a used vehicle and does not apply to a used vehicle with a purchase price of \$40,000 or more, or a vehicle purchased for business or commercial use, or to motorcycles, recreational vehicles, or off-highway motor vehicles.
- Dealers must give consumers an opportunity to purchase the contract, the cost of which is based on the purchase price of the vehicle and must not exceed the following:
  - \$75 for a vehicle with a cash price of \$5,000 or less
  - \$150 for a vehicle with a cash price of more than \$5,000, but not more than \$10,000
  - \$250 for a vehicle with a cash price of more than \$10,000, but not more than \$30,000
  - One percent of the purchase price for a vehicle with a cash price of more than \$30,000, but not more than \$40,000.
- The "Contract Cancellation Option Agreement" allows you to cancel the contract within a specified time frame that permits return of the vehicle until, at the least, close of business on the second day after the sale.
- A statement on the contract gives you the right to cancel the purchase and obtain a full refund, minus the purchase price of the Contract Cancellation Option Agreement.
- The Contract Cancellation Option Agreement is a separate document from the sales contract and will include specific information, such as vehicle identification number, cancellation specifics, restocking fee, 250 mileage allowed, etc.
- A vehicle-restocking fee may be charged; however, the cancellation option fee will be deducted from this fee. The amount of any restocking fee you must pay to the dealer to exercise the right to cancel the purchase must not exceed:
  - \$175 if the vehicle's cash price is \$5,000 or less
  - \$350 if the vehicle's cash price is less than \$10,000
  - \$500 if the vehicle's cash price is \$10,000 or more.
- The buyer is fully responsible for any loss or damage sustained to the purchased used car under the contract cancellation option.
- When using the contract cancellation option, you must return the vehicle:
  - To the dealer you bought it from by close of business within two days, or more if allowed by the contract;
  - With no more than 250 additional miles from the time of delivery, unless additional mileage is allowed by the contract;
  - With all original receipts of the sales and cancellation option contracts;
  - In the same condition as it was received; and
  - Free from any additional debt.
- When you return the vehicle, the dealer:
  - Must provide you with any deposit, trade-in vehicle, or any other fees collected from you. (Note: If the dealer did not charge for the option, the fair market value or value stated on the sales contract must be refunded.)
  - Has the right to refuse to accept the return if you do not follow the standards set above; however, written notice must be provided to you.

### **Prohibited, "certified" used vehicles**

The dealer must perform a complete inspection of the vehicle and must provide you with a copy of the inspection report. Dealers are prohibited from advertising a vehicle as "certified" if:

- The odometer does not indicate the actual mileage of the vehicle.

- The vehicle was purchased under state or federal warranty law.
- The vehicle was damaged by accident, fire, or flood.
- The title was branded as a Lemon Law Buyback, salvage, junk, non-repairable, flood, or similar designation.
- The vehicle has frame damage or was sold "as is."
- The seller failed to provide the buyer with a complete inspection report of all components inspected.

### **Written disclosure of purchase price for items usually listed with the monthly payment**

- The document must describe and indicate the price of each item purchased.
- No charges may be added to the contract without full disclosure and without your consent.
- The document must advise you of the cost of the monthly installment payments with and without items listed.
- Items requiring disclosure are service contracts, debt cancellation agreements ("gap" insurance), warranty and service packages, theft deterrent devices, surface protection, and a vehicle contract cancellation option agreement.

### **Finance fee caps for auto financing**

- Dealers cannot mark up their fees to obtain financing for you by any more than:
  - 2.5 percent for contracts under 60 months; or
  - 2 percent for contracts over 60 months.
- This limitation does not apply when the assignment requires the dealer to bear the entire risk of financial performance for you or when the assignment is more than six months after the date of the conditional sale contract.

## **Written disclosure about your consumer credit score**

Dealers must provide a "Notice to Vehicle Credit Applicant" document, which discloses:

- The credit score obtained and used by the dealer and the name of the credit reporting agency providing the credit score to the dealer
- The range of possible credit scores established by the credit reporting agency that provided the credit score
- The address and telephone number of each credit reporting agency providing a credit score that was obtained and used by the dealer.

You may contact your local DMV Investigations Office if the dealer fails to offer any one of the above options. To do so, you must complete and mail a Record of Complaint Form (INV 172A). The form is available:

- On the Internet at [www.dmv.ca.gov](http://www.dmv.ca.gov) under the Forms menu
- By calling 1-800-777-0133 to have it mailed to you or
- At your local field office.

The form provides the addresses of DMV Investigations District Offices.

## **To check a dealer's license status**

You can check a dealer's license status by going online at [www.dmv.ca.gov](http://www.dmv.ca.gov) and click on the links:

- "Online Services" and
- "Occupational Licensing Information System"

## **Civil disputes**

Whenever possible, you should attempt to resolve the problem with the other party or firm. If you are unable to obtain a resolution, you may consider contacting a private attorney or the small claims division of the county court in your community. Refer to the County Government section of your local telephone directory for the county court in your area. You may also contact a legal aid group for assistance. Legal aid agencies

can provide free legal advice or represent people who cannot afford private counsel. Legal aid groups are also listed in the white pages of your local telephone directory.

## **Other consumer alternatives**

Many consumers feel it is worthwhile to contact their local Better Business Bureau to register complaints regarding area businesses. Refer to the business section of your local telephone directory for the address and/or telephone number of the Better Business Bureau in your area. Also, many local television and radio stations offer free consumer assistance through a special telephone number or address.

## **Try These Service Options**

**Key [www.dmv.ca.gov](http://www.dmv.ca.gov) for service 24/7:**

- Renew your vehicle registration (see your renewal notice for the RIN-Renewal ID Number)
- Renew your driver license (see your renewal notice for the RIN)
- Take a sample driver license test
- Order special plates
- Get forms, brochures, and handbooks
- Find answers to your questions
- Make appointments (except commercial driving test)
- Calculate registration fees



**Call 1-800-921-1117 for DMV's Automated Voice Recognition service 24/7:**

- Make appointments (except driving test\*)
- Pay registration renewals (see your renewal notice for the RIN-Renewal ID Number)



**Call 1-800-777-0133 for service 24/7:**

- Get forms and publications
- Listen to general information
- Make appointments (except driving test\*)



**\*To make a driving test appointment or speak with a technician, call 1-800-777-0133 during normal business hours**

- Between 8-5, Mon., Tues., Thurs., & Fri.
- Between 9-5 on Wednesdays

# **Car Buyer's Bill of Rights**

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**Important Facts About a New Law That Substantially Impacts the Sale of New and Used Vehicles**

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